

## Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 DODE-00 PM-03 H-02 L-03

NSC-05 PA-01 PRS-01 SS-15 IO-10 /093 W

----- 074103

R 040815Z AUG 75

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 361

INFO AMCONSUL BOMBAY

AMCONSUL CALCUTTA

AMCONSUL MADRAS

C O N F I D E N T I A L NEW DELHI 10429

E.O. 11652: GDS

TAGS: ELAB, PINS, PINT, IN

SUBJ: THE NEW LOOK IN LABOR RELATIONS: THE NATIONAL

STEEL AGREEMENT

1. AT LEAST INSOFAR AS LABOR RELWTIONS ARE CONCERNED, THE STATE OF EMERGENCY IS A MANAGEMENT DREAM. THE GENERAL AWARENESS OF THE CONSEQUENCES OF VIOLATING THE NEW SENSE OF DISCIPLINE HAS PRODUCED AN ALMOST COMPLETE CESSATION OF STRIKE ACTIVITY. SINCE THE PROCLAMATION OF EMERGENCY JUNE 26, ELEVEN MAJOR STRIKES, SOME OF WHICH HAD BEEN GOING ON FOR MANY MONTHS, WERE TERMINATED. IN ADDITION, NUMBER OF THREATENED STRIKES WERE CALLED OFF SO THAT AS OF AUGUST 1 WE KNOW OF ONLY THREE SIGNIFICANT ON-GOING STRIKES. AS PART OF THE ENDORSEMENT OF THE STATE OF EMERGENCY BY THE MAJOR TRADE UNION CONFEDERATIONS (INTUC, AITUC, AND THE HMS) MANY OF THIR AFFILIATED INDUSTRIAL FEDERATIONS AND LOCAL ORGANIZATION HAVE PLEDGED THEMSEVES TO A STRIKE MORATORIUM, IN RETURN FOR A NO LOCKOUT PLEDGE BY MANAGEMENT9 AT THE JULY 22 SESSION OF THE LOK SABHA, MRS. GANDHI SAID INDUSTRIAL RELATIONS HAVE IMPROVED ALMOST "BEYOND OUR IMAGINATION." SHE HAS EVERY REASON TO BE SATISFIED.

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2. IT IS IN THIS NEW INDUSTRIAL RELATIONS ATMOSPHERE THAT THE NATIONAL STEEL SETTLEMENT CONCLUDED IN THE EARLY HOURS OF JULY 31 SHOULD BE UNDERSTOOD. NEGOTIATIONS ON THE CONTRACT WHICH EXPIRED AT THE END OF AUGUST 1974 DID NOT BEGIN IN EARNEST UNTIL DECEMBER. (THIS IS NOT UNUSUAL.) AT THE OUTSET THE UNIONS (INTUC, AITUC, AND THE HMS) DEMANDED A PACKAGE INCREASE OF RS. 200 PER MONTH. THEY LOWERED THEIR DEMAND TO RS. 134 AND FINALLY SETTLED FOR A RS. 65 INCREASE OF WHICH RS. 10 IS THE INCREASE IN THE BASIC WAGE AND THE REMAINDER IS IN VARIOUS FRINGE BENEFITS. THE SETTLEMENT, RETROACTIVE TO SEPTEMBER 1, 1974, WILL MEAN THAT THE MINIMUM MONTHLY WAGE IN STEEL, INCLUSIVE OF THE COST OF LIVING ALLOWANCE, WILL BE RS. 433.

3. THE GOVERNMENT'S ROLE IN THE NEGOTIATIONS WAS PERVASIVE. NOT ONLY WAS THE GOI PRESENT IN ITS CAPACITY AS MANAGER OF THE PUBLIC SECTOR PLANTS, BUT THE STEEL MINISTRY WAS A DE FACTO PARTICIPANT IN THE NEGOTIATION CELEBRATED AS "BIPARTITE." AT LEAST ONE UNION NEGOTIATOR WHO DID NOT EXHIBIT THE PROPER ATTITUDE TOWARD THE BARGAINING WAS CALLED ON THE CARPET BY THE STEEL MINISTER. MANY OF THE UNION LEADERS WERE ENJOYING THE PRIVILEGE OF COMING TO DELHI AT MANAGEMENT'S EXPENSE EVERY THREE WEEKS OR SO FOR THE DISCUSSIONS AND SHOWED NO ENTHUSIASM TO COME TO A QUICK AGREEMENT. AT THE GOVERNMENT'S INSISTENCE THE NEGOTIATORS WERE KEPT IN SESSION FOR FOURTEEN DAYS UNTIL THEY REACHED AN AGREEMENT, MANAGEMENT HAD DECIDED FROM THE OUTSET THAT IT WOULD GRANT NO MORE THAN A RS. 10 INCREASE IN BASIC WAGES, AND IT TOOK THE UNION LEADERS THE TWO WEEKS TO REALIZE THAT THERE WAS NO GIVE IN THAT POSITION. MANAGEMENT WAS ALSO UNDER THE GUN. BOTH THE PUBLIC AND PRIVATE SECTOR FIRMS WERE MADE TO UNDERSTAND THAT ANY INCREASE IN LABOR COSTS WOULD HAVE TO BE BORNE OUT OF CURRENT IN-THE SENIOR NEGOTIATOR FOR TISCO (THE LARGEST PRIVATE SECTOR FIRM) TOLD US THAT THEY BELIEVED THE AGREED-UPON INCREASE WOULD MEAN AN ADDITIONAL EXPENDITURE OF APPROXIMATELY 1.5 PERCENT OF THEIR GROSS REVENUES, AN AMOUNT THEY CAN ABSORB UNDER THE PRESENT PRICE STRUCTURE.

4. IN PRIVATE CONVERSATION, UNION NEGOTIATORS TOLD US THAT THEY HAD NO CHOICE BUT TO ACCEPT THE REDUCED PACKAGE. IN ADDITION TO BEING PRESSURED BY THE GOI, THE STEEL WORKERS LEADERSHIP ALSO WAS TOLD TO SETTLE BY THE INTUC CHIEFS. THERE NEVER WAS ANY CONFIDENTIAL

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THOUGHT OF STRIKING UNDER PRESENT CIRCUMSTANCES. IN ADDITION TO THE THREE PRINCIPAL LABOR CONFEDERATIONS MENTIONED ABOVE, THE CONTRACT WAS ALSO SIGNED BY THE CPM-CONTROLLED CITU. SINCE CITU PROMISED STEEL WORKERS THE MOST BEFORE NEGOTIATIONS BEGAN, IT NOW STANDS TO SUFFER THE GREATEST LOSS IN CREDIBILITY IN THE EYES OF THE WORKERS.

5. WHEN THE EMERGENCY WAS DECLARED, WE WERE TOLD BY A CLOSE AD-

VISER OF THE LABOR MINISTER THAT INDUSTRIAL RELATIONS WOULD BE RESTRUCTURED TO BECOME MORE "PRODUCTIVITY ORIENTED." A SPECIAL "APEX BODY" FOR THE PRIVATE SECTOR HAS NOW BEEN FORMED. WHILE NO FORMAL CHANGES IN INDUSTRIAL RELATIONS HAVE BEEN INTRODUCED, THERE IS CLEARLY A NEW LOOK IN THIS AREA. GIVEN THE LARGE LOSSES IN PRODUCTION DUE TO LABOR DISPUTES IN THE PAST, THIS IS ONE AREA WHERE THE GOI CAN ACHIEVE A RAPID IMPROVEMENT IN THE ECONOMY. MOREOVER, THIS CAN BE DONE WITHOUT CONCERN FOR THE REACTION OF THE TRADE UNIONS. EXCEPT FOR THE CITU AND SOME LESSER NON-AFFILIATED ORGANIZATIONS ALL THE LABOR CONFEDERATIONS HAVE WILLINGLY OR UNWILLINGLY MADE THEMSELVES PARTNERS IN MRS. GANDHI'S STATE OF EMERGENCY. IN THIS NEW SITUATION THEIR FREEDOM OF MANEUVER HAS BEEN SHARPLY CURTAILED, AND THEY BELIEVE THAT INSISTENCE ON TRADE UNION AUTONOMY (NOT TO SPEAK OF RESISTANCE) WOULD BE FUTILE.

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** LABOR RELATIONS, LABOR AGREEMENTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 04 AUG 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** ellisoob  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975NEWDE10429  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Film Number:** D750269-0243  
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**Handling Restrictions:** n/a  
**Image Path:**  
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**Legacy Key:** link1975/newtext/t19750885/aaaacxbd.tel  
**Line Count:** 131  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION NEA  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** ellisoob  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 06 AUG 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <06 AUG 2003 by ElyME>; APPROVED <26 NOV 2003 by ellisoob>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
06 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** THE NEW LOOK IN LABOR RELATIONS: THE NATIONAL STEEL AGREEMENT  
**TAGS:** ELAB, PINS, PINT, IN  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006